

**BOARD OF MANAGERS
ERIE COUNTY SEWER DISTRICT NO. 3 & 8
JUNE 24, 2015
SOUTHTOWNS SEWAGE TREATMENT PLANT
BUDGET MEETING**

MEMBERS PRESENT: Chairman John Mills, David Kaczor, Michael Kasprzyk, David Millar, Glenn Nellis, Don Rood, Karl Simmeth, Don Witkowski

OTHERS PRESENT: Glenn Absolom, Steve Canestrari, Joe Fiegl, Jill Krafft, Garry Pecak (District 8)

MEMBERS ABSENT: None

1. Open Meeting

Chairman Mills called the District No. 3 meeting to order at 8:00 a.m.

2. Items from the Public

None

Adjournment

On a motion by Mr. Kasprzyk, seconded by Mr. Root, the ECSD No. 3 Board of Managers meeting was procedurally adjourned at 8:01 a.m. in order to conduct the combined ECSD No. 3 and No. 8 budget meeting. The motion carried 8 – 0.

3. New Business

2016 Combined Budget Meeting

Chairman Mills called the combined budget meeting of ECSD Nos. 3 and 8 to order at 8:01 a.m.

a. Presentation and Approval of 2016 Budget

i. Proposed 2016 Budget (Handout)

Mr. Fiegl presented the proposed ECSD No. 3 Budget to the Board. Overall, the impact to the typical ratepayer will be \$13.65 when comparing 2015 to 2016.

ECSD No. 3 is part of the combined ECSD Nos. 3 and 8 budget. The ECSD Nos. 3 and 8 (Central Region) budget is developed based upon a Memorandum of Understanding dated 6/17/08. Essentially, the Memorandum of Understanding outlines which costs or expenses are shared items and which items are exclusive to individual districts and their respective budgets.

*Item
2(b)*

In summary:

- Costs such as supplies, equipment, "District-wide" expenses, etc. are shared based upon the ratio of units in each sewer district and the total units in the ECSD Nos. 3 and 8 service area.
- Debt service, revenues, fund balance, and capital reserve allocations are exclusive to each sewer district.

For this year, Central Region shares in approximately 39.7% of the Division-wide expenses. Overall, within Central Region ECSD No. 3 is responsible for approximately 91% of ECSD Nos. 3 and 8 costs, except for Professional Services (accounting for debt incurred by the various municipalities merged with the County), debt service, capital reserves, and personnel.

It was mentioned that Mr. Pecak was in attendance representing the ECSD No. 8 Board of Managers. The ECSD No. 8 Board unanimously approved their portion of the Central Region budget at their June 23, 2015 meeting.

Reviewing the overall summary for ECSD No. 3, total appropriations are projected to increase over \$600,000 when compared to 2015. The major components of this increase are an additional \$150,000 allocated to capital reserves, additional maintenance and repair supplies, increased I&I repair, debt service, and personnel. With the appropriation increase is approximately \$47,500 less revenue available, primarily due to decreases in sewer rents, fund balance allocations, and the Steuben Foods bill.

As noted previously, the typical ratepayer (single family home) in ECSD No. 3 will see an increase of roughly \$1.00 - \$1.25 more per month when compared to 2015 which is an increase of 3.3% on average.

The Board discussed fringe benefits. Fringe benefits for employees are estimated at 69.5% in this budget, which represents no change from the 2015 budget. Actual numbers are not available at this time, but this is a conservative estimate. There are factors outside the County's control that influence the rate. The County's Administration has attempted to address the rising fringe benefit costs with recent Union Contract proposals. Chairman Mills inquired about the actual fringe benefit costs from the preceding year to which Mr. Fiegl responded that last year's actual percentage was roughly 66%. Chairman Mills noted that amount seemed high. Mr. Fiegl mentioned that a number of factors impact the fringe benefit rate, including retiree medical insurance and due to the nature of the work performed by the Erie County Sewer Districts – workers compensation. Chairman Mills inquired about what the effect of lowering the estimated fringe benefit rate to 65% would have on a typical ratepayer in the District. Mr. Fiegl responded that he could not accurately answer the question without performing some calculations and added that should the fringe benefit rate be lower the following year, said difference would be reflected in the fund balance in the following year's budget.

Before going into specific details of the budget line codes, Mr. Fiegl explained that the budgets are developed conservatively, with the understanding that monies left over at year end are transferred to fund balance and utilized as revenue to offset future rate impacts. Items listed in the budget as "DSM" are expenses for the Downtown office. Again, Central Region contributes 39.7% of these Downtown office expenses.

The 2016 equipment line items represent over \$610,000 of the Central Region budget. The major items includes various treatment plant equipment replacements throughout the Region, shared equipment purchases to be used across all Erie County Sewer Districts, replacement of four (4) vehicles, and Central Region's standard unanticipated replacement item. Mr. Fiegl informed the Board that the cost for shared items is prorated based on the number of units in each District.

A review of the individual budget codes was provided. It was noted that several changes were made in the budget for consistency throughout the various Erie County Sewer District budgets. Therefore, certain items were "zeroed" with a corresponding increase elsewhere in the budget. Specific items highlighted included the budgeting on fuel, various changes in Maintenance and Repair supply codes, the \$50,000 increase in I&I repair, breakdown on capital reserve allocation (\$1,550,000 total for ECSD No. 3), utility costs, and personnel costs.

Mr. Fiegl noted that fuel is budgeted at \$3.50 per gallon which represents a decrease from the preceding year. Chairman Mills inquired about how fuel is procured. Mr. Fiegl informed the Board that is bought through the Erie County Department of Purchasing.

Mr. Fiegl noted an increase of \$50,000 from last year's budget to the I&I Repair/Sewer Relining line item. This line item is used for the on-going Cured-In-Place Pipe (CIPP) lining and manhole rehabilitation program in the District. The program has been very successful.

Fund balance usage as an offsetting revenue is budgeted at 56%. The available district fund balance at 12/31/14 represents approximately 3.5 months of 2016 budgeted appropriations. Observing recent trends on amount available and amount used and considering the regulatory issues facing the sewer district, it is believed that this allocation of fund balance is prudent.

Mr. Kasprzyk asked if the budget allows the Division to complete work that really needs to be done. The Division is conservative and responsible in developing budgets. While cuts were made during development of this final proposed budget, said cuts were in areas where there would be no effect on day to day operations and that there were alternatives such as use of capital reserves to address the need. Mr. Kasprzyk also questioned whether or not there was a need for further mergers in the District. Mr. Fiegl informed the Board that the only areas left to merge within the areas tributary to ECSD No. 3 wastewater treatment plants include the Mt. Vernon and Woodlawn Commissioner Districts and the Town of Orchard Park. Mr. Kaczor added that a merger with the Town of Orchard Park could not be justified when last investigated due to the potential impact on the Town ratepayers.

It is recommended for the 2016 Budget that the unit charge be increased by \$10 per unit and the footage charges remain the same.

Mr. Fiegl's final comments related to the 2% Tax Cap. As the sewer district levies are part of the County's overall tax cap calculation, there is additional coordination required prior to finalization. If any changes are necessary, the Board of Managers will be informed.

On a motion by Mr. Kapsiak, seconded by Mr. Kaczor the Board voted to approve the budget presented for both ECSD Nos. 3 and 8. The motion carried 8 – 0.

On a motion by Mr. Nellis, seconded by Mr. Simmeth, the Board voted to close the combined budget meeting and resume the District No. 3 Board of Mangers meeting. The motion carried 8 – 0.

ii. **271 Resolution (Handout)**

It was resolved that approximately 35%, 11% and 54% of the total sanitary sewer tax levy of \$14,881,738 shall be raised from the assessed value, footage and flat charges, respectively, for ECSD No. 3.

On a motion by Mr. Millar, seconded by Mr. Witkowski, the Board voted to approve the 271 Resolution. The motion carried 8 – 0.

b. **Contract No. 74 – Bid Schedule**

Bids will be opened for the DSM's Sewer Manhole Rehabilitation and Replacement Project, Contract No. 74, at 2:00 p.m., Friday, July 17, 2015. This is an informational item; no action is required by the Board.

4. **Old Business**

None

5. **Adjournment and Next Meeting**

Prior to adjournment, Mr. Fiegl informed the Board about proposed legislation from United States Senator Mark Kirk (R-IL) which would amend the FY16 Appropriations Bill for the Environmental Protection Agency to prohibit wastewater treatment plants discharging into the Great Lakes, or its tributaries, from discharging overflows, or from blending or by-passing effluent even if the blended effluent meets National Pollutant Discharge Elimination System (NPDES), or SPDES in the case of ECSD No. 3, permit standards. The proposal would also raise penalties for each violation to \$100,000 beginning 2035. The implications of this proposed legislation are significant to ECSD No. 3 ratepayers and compliance would be extremely costly, if not unrealizable.

On a motion by Mr. Kaczor, seconded by Mr. Kasprzyk the Board voted in support of a letter of support in opposition of the proposed legislation. The motion carried 8 – 0.

The Board discussed the need to hold the next regularly scheduled meeting on July 15, 2015. On a motion by Mr. Simmeth, seconded by Mr. Root, the Board voted to cancel the July 15, 2015 meeting. The motion carried 8 – 0.

Chairman Mills informed the Board of a recent meeting he had involving the closing of Woodlawn Beach on Memorial Day. He noted that there were no overflows from the Southtowns AWTF on Memorial Day.

On a motion by Mr. Millar, seconded by Mr. Witkowski the meeting was adjourned at 9:17 am. The motion carried 8 – 0.

**The next Board of Managers Meeting is
Wednesday, October 7, 2015 at 8:00 am
Southtowns Treatment Plant**

DM:jk

Respectfully Submitted,



David Millar, Secretary
ECSD No. 3 – Board of Managers

Motion to Approve June 24, 2015 Budget Meeting Minutes

Moved By: _____

Seconded By: _____

App./Disapp.: _____

Date: _____

David C. Millar, Secretary
ECSD No. 3 Board of Managers